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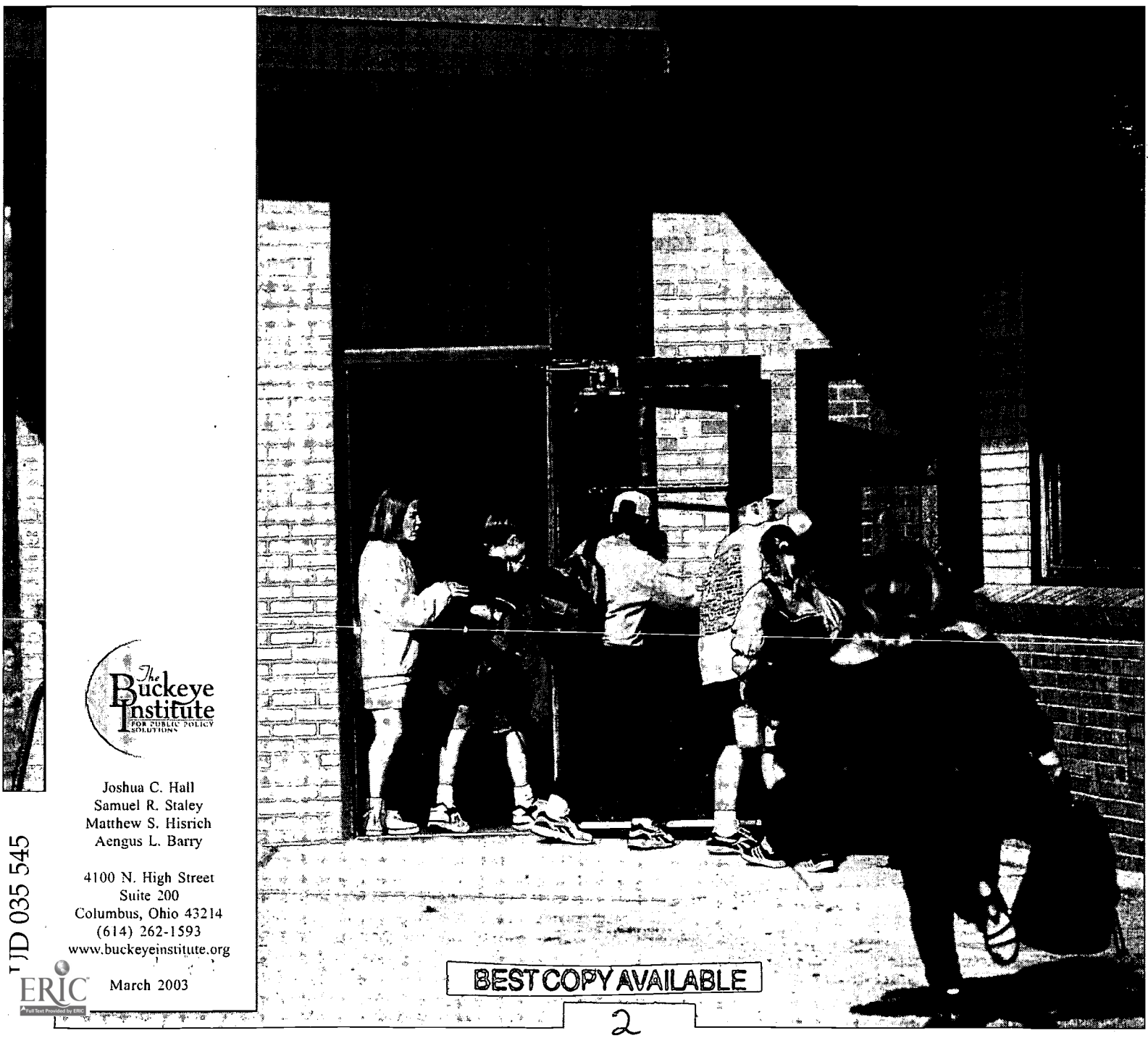
ABSTRACT

This study proposes the creation of Education Empowerment Zones (EEZs) in Ohio's major cities as part of a strategy to reestablish the competitive advantage of the inner city. Combining community schools and an expanded education voucher available to the middle class, EEZs could lead revitalizing efforts by enticing middle-income families with children back into the inner city. This report uses Cleveland as a case study to provide a general framework and assess the potential impacts of implementing EEZs. Chapters include: "The Role of Education in Urban Redevelopment" (economic benefits of good schools and neighborhood integration and stability); "Choice and Quality Schools" (effects of choice expansion on school performance and the overall effects of increasing school choice in Ohio cities); "Effects on Cities" (economic diversity and city tax base and receipts); "Expanding Choice: The Case of Cleveland" (Cleveland's strengths, the impact of expanding choice on enrollment, the fiscal impact of expanding choice, the short-term costs of EEZs, and phasing in EEZs); "Expanding Choice in Other Ohio Cities"; and "Funding the Transition." An appendix presents complete calculations for other major Ohio cities. (Contains 48 endnotes and 9 tables.)(SM)

Education Empowerment Zones:

Revitalizing Ohio's Cities through School Choice



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Education Empowerment Zones: Revitalizing Ohio's Cities through School Choice

By Joshua C. Hall, Samuel R. Staley, Ph.D.,
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Executive Summary

Research shows that parents want to live where they have access to good schools. The declining quality of Ohio's urban public schools, among other factors, has led to the loss of hundreds of thousands of residents in recent decades. Poor school quality may be one of the most important obstacles to revitalizing Ohio's troubled inner cities.

This study proposes the creation of *Education Empowerment Zones* (EEZs) in Ohio's major cities as part of a strategy to re-establish the competitive advantage of the inner city. A combination of Community Schools and an expanded education voucher available to the middle-class, EEZs could lead revitalizing efforts by enticing middle-income families with children back into the inner city.

The study uses a Cleveland as a case study to provide a general framework and assess the potential impacts of implementing EEZs. Transforming an Ohio city like Cleveland into an EEZ would improve the prospects for revitalization in several ways. Specifically, the EEZ could:

- *Create* high-quality education opportunities for all Cleveland children.
- *Add* 11,060 children to Cleveland's private schools.
- *Improve* proficiency test scores in the Cleveland Municipal School District by 21 percent.
- *Free* local tax dollars to increase per pupil spending in conventional public schools.
- *Result* in more kids attending small schools that improve student learning.

Increasing the availability of high-quality education opportunities in Cleveland increases the attractiveness of living in Cleveland. Expanding Cleveland's voucher program and opening it to *all* Cleveland residents, in particular, is likely to

- *Move* nearly 10,000 working-and-middle class families to the city.
- *Integrate* Cleveland economically as the number of working-and-middle-class families living in Cleveland grows.
- *Stabilize* neighborhoods as families can access better schools without moving.
- *Increase* the median income in Cleveland to over $32,000, a 50 percent increase.
- *Increase* housing values as more families build new homes or renovate older housing in the city.

The study also estimates that implementing citywide choice in Akron, Cleveland, Columbus, Cincinnati, Dayton, and Toledo would create a short-term funding gap of $316 million. A review of the Ohio Department of Education's budget, however, found at least $380 million that could be shifted to funding choice with minimal impact on the quality of existing programs.

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1. Introduction

The decline of Ohio's urban centers is well documented.[1] Most cities have experienced substantial erosion of both population and middle-income households since the 1960s. In Cleveland alone, the number of children in married couple households, a key barometer of middle-income families, fell from 175,000 in 1970 to just 47,000 in 2000.

The decline of Cleveland and other "Rust Belt" cities such as Akron, Dayton, Cincinnati, Toledo, and to some extent, Columbus, has led to a number of urban revitalization programs at the federal, state, and local levels. These reforms have come in a variety of packages, from tax incentives to housing initiatives to sport and entertainment complexes, but they all inevitably produce little in the way of results.

In retrospect, this result should not be surprising. Almost all these reforms miss a crucial element of any successful revitalization package: quality schools and educational opportunities. Substantial research has shown that the quality of available schools may be the single most important determinant of family moving decisions. The effect is particularly important for middle-class and working families with children. Thus, revitalizing urban education must be a crucial element of any attempt to promote growth and redevelopment.

This policy study addresses this deficiency in urban policy analysis by recognizing the importance of quality education in inner-city revitalization efforts. For many families, buying a suburban home means the access to high-quality schools for all of the family's children. This is unfortunate considering that absent the differences in school quality, many families would be attracted to Ohio's urban centers and their relatively low property tax rates, affordable housing, lively downtown areas, extensive park systems, and diverse neighborhoods. Merely expanding existing education reform programs could neutralize this deficiency in urban quality of life.

The city of Cleveland provides the most straightforward case: by increasing the number of Community (charter) Schools and expanding the Cleveland Scholarship and Tutoring Program (CSTP) to all city residents, a wider range of school types and quality could be provided in Cleveland. In effect, the city would become an "Education Empowerment Zone" through the innovative use of existing education reforms to create a dynamic market for education in the inner city.

An expansion of the voucher program would have several other effects. Student learning would likely increase as children benefit from conditions related to choice: smaller school sizes, improved school environments, greater classroom stability, and competition among Cleveland's public, private, and Community Schools. (Community Schools are known in other parts of the nation as charter schools.) The city will find itself with more tax revenues as property values increase and housing demand rises. The resulting economic diversity will stabilize and invigorate Cleveland's neighborhoods.

The enactment of a voucher program in every major city in Ohio would go a long way toward stemming the exodus of parents to the suburbs in search of better educational opportunities. Only by linking *all* quality city schools with the decision to live in the city can Ohio's cities compete with the suburbs and regain their lost status.

2. The Role of Education in Urban Redevelopment

Many reasons exist for the continued population decline of Ohio's urban centers. Tom Bier, Director of the Center for Housing Policy at Cleveland State University, argues that the primary reason families move out of cities like Cleveland is because of the lack of quality housing choices.[2] As the income of Cleveland's residents' rose, so did their taste for housing. Bier's research of deed transfers clearly shows that most Cleveland residents, when moving within the metropolitan area, move up (to a more expensive house) and out (away from Downtown). As Bier puts it, "Much of a mature community's [such as Cleveland's] real estate may be unattractive or obsolete in the current market."[3]

When people purchase a more expensive home in a suburb, however, they are not only purchasing a newer, more modern home, but they are also purchasing the government services that go with that home. As residents' incomes rise they not only want more housing, they want better government services. For many home shoppers, the number-one government service they care about is the quality of the local public schools. The problem for those interested in revitalizing Ohio cities by stemming the emigration of residents to outlying suburbs is that the public school systems improve dramatically the farther someone moves from downtown.[4]

Table 1

Academic Performance of Ohio's Major Cities, 2001-02 School Year

School District	# of Performance Indicators Met (out of 22)	District Rating
Akron	4	Academic Emergency
Cincinnati	5	Academic Emergency
Cleveland	3	Academic Emergency
Columbus	5	Academic Emergency
Dayton	2	Academic Emergency
Toledo	6	Academic Emergency

Source: Ohio Department of Education, "2003 Local Report Card."

As Table 1 shows, Ohio's large urban school districts do poorly in meeting the school performance indicators designated by the State of Ohio. These performance indicators are objective measures of school quality including graduation rates, attendance rates, and proficiency test scores. On this general measure of performance, Dayton is the lowest ranked school district in the state. The Cleveland Municipal School District (CMSD) is tied for the second-worst school district in the state and is listed as being in "academic emergency."[5] Akron, Cincinnati, Columbus, Dayton, and Toledo schools, although all in academic emergency, do slightly better.

A. Economic Benefits of Good Schools

Research suggests that parental perceptions of school quality can have important effects on the decision of families and households to move to one area over another.[6] The effects of school quality on location decisions can best be understood by imagining two identical homes—one with good schools and the other with bad schools. Assuming the two neighborhoods were identical in every other way, the home in the area

with good schools would be worth more because more parents would want to live there, therefore bidding up prices.

How much is this association with good schools worth? Economists William Bogart and Brian Cromwell tried to estimate this effect. They realized that the Buckeye-Shaker neighborhood of Cleveland provides an interesting natural experiment. Buckeye-Shaker is an area of Cleveland where some children attend suburban Shaker Heights schools and some attend CMSD. Since Cleveland provided all other city services, Bogart and Cromwell were able to isolate the effect of the good Shaker schools from other government services and neighborhood characteristics. They find that moving the average house from the section of Buckeye-Shaker serviced by CMSD to the section serviced by Shaker Heights Schools would add between $5,303 and $11,648 dollars to the value of a house.[7]

The issue of school quality, therefore, lies heaviest on parents because parents are most willing to pay more (in both housing price and taxes) for the assurance of quality schools for their children. Families that can afford to move to the suburbs, primarily two-parent middle and working class households, are doing so, further magnifying economic segregation between the city and the suburbs.

Research on the Cleveland school voucher program found that voucher recipients chose to attend schools more racially and economically integrated than the traditional public schools they left.[8] Widespread revitalization of Ohio's cities and neighborhoods will not occur without making good schools available to *all* city residents.

B. Neighborhood Integration and Stability

Working and middle class families with kids are vital to neighborhood and city building since they tend to have higher incomes and are more stable, economically and socially.[9] These are the families, however, that Ohio's cities are losing. For example, from 1970 to 2000, the number of children in two-parent households in Cleveland fell by nearly 130,000, from 175,649 to 46,957. In 2000, the percentage of children in two-parent households made up just 13.5 percent of Cleveland's population, substantially less than the rest of Cuyahoga County (21.6 percent).

The retention of this important demographic will help integrate Ohio's urban centers economically and racially, resulting in higher average incomes and neighborhoods that are more vibrant. There are simply too few empty-nesters, DINKs (Double Income, No Kids), and young single professionals to revitalize more than a few small neighborhoods.[10] A plan to revive Ohio's major cities must realistically address the issue of retaining and attracting working and middle-class families with children.

3. Choice and Quality Schools

Ohio policymakers need to think outside the box to improve the cities' educational opportunities and make them more attractive to middle class families. Given the slow pace of traditional public school improvement, educational quality will have to increase through a "supply side" improvement - expanding the number of quality school alternatives within the cities. This can occur in at least three ways:

- Expanding educational opportunity in traditional public schools by capitalizing on existing magnet and neighborhood schools, or converting existing schools to Community Schools;
- Expanding nontraditional public education alternatives such as Community Schools through new school start-ups; or
- Expanding private school options for all city residents through vouchers.

The Hidden Demand for Private Schooling

There is one thing we can be sure of: parents sending their kids to private school *really* want to send their kids to private school. Think about it this way: private school parents value a private school education so highly that they decline *free* public schools in favor of spending additional family money on tuition.

This means that the current private school population is made up of a very small group: people who want a private education for their children and can afford it. Under a competitive, child-centered system of school funding, however, private school enrollment would be open to all residents.

When financial considerations are removed, would more parents choose private schools than currently do? If so, how many? Terry Moe, a professor of political science at Stanford University, recently investigated this question. In light of the findings of his survey, he concludes:

[I]t is clear that parents who currently go private are doing so because they want to, but it is *not* clear that parents who currently send their kids to public school are doing what they want. Many might prefer to go private, but be unable to do so for cost reasons.[1]

Moe's survey asked the following question: "If you could afford it, would you be interested in sending your children to a private or parochial school? Describing the results as "striking," Moe found that a majority of public school parents, 52 percent, said they would be interested in going private if money were not an issue.

Moe is not the only researcher to ask this question. Public Agenda, a non-profit public opinion research organization, asked a similar question in 1999 and found that 57 percent of parents were interested in going private if cost were not an issue.[2]

In 1997, the Baltimore-based Calvert Institute surveyed households that were leaving the city of Baltimore for the suburbs. More than one quarter of the households said they would have "definitely considered" staying in the city if vouchers had been available.[3]

Parental interest in going private absent financial considerations does not mean that parents *would* choose private schools under a widespread voucher system. It does, however, give an idea of whether a market exists for such a system.

[1] Terry Moe, "Hidden Demand: If Given A Choice, Who Would Switch To Private Schools And Why?" Education Matters 1 (Spring 2001): 48-55. Quotation is from page 51.

[2] Moe, "Hidden Demand," 51.

[3] Douglas P. Munro, "Reforming The Schools To Save The City, Part II: Survey Shows School Choice Would Prevent Middle Class Flight From Baltimore," (Baltimore, MD: Calvert Institute for Policy Research, August 1997).

A. Effects of Choice Expansion on School Performance

Increasing choice in Ohio's urban areas will increase the academic achievement of students switching out of the public schools, as parents are able to take advantage of the availability of expanded high-quality education opportunities. [11] Private and Community Schools are smaller, more nurturing environments, and a significant body of research has shown that students do better academically and socially in smaller schools.[12] More importantly, economic theory and empirical results indicate that the expansion of non-traditional public school enrollment will have a "competition effect" and students in the traditional public schools will do better on objective measures of student performance.

This competition effect has been found in other cities that have expanded school choice. Milwaukee, for example, has publicly-funded vouchers and Community Schools. Researchers at the Manhattan Institute found that the public schools improved dramatically in response to the expansion of vouchers and Community Schools. (See Box: The Effect of School Choice on Test Scores: The Case of Milwaukee). The Milwaukee experience is confirmation of the impact that expanded opportunities can have for *all* children.

Looking at Ohio data on 607 school districts, we see that public school districts with high non-public school enrollment perform better than where non-public school enrollment is low.[13] The effect of competition, while modest, is quite significant statistically and suggests that the transfer of students from public to private or Community Schools will not harm the students in city public schools. The likely result is an improvement in both the students that stay in traditional public schools and the students that move to private or Community Schools. This "competition effect" has been confirmed by other research.[14]

These studies can be used to get an idea of the likely effect of an increase in students attending non-traditional public schools. For example, if enrollment in Cleveland's Community and private schools increased to 42 percent of the market, the research suggests that the percentage of students passing all

When It Comes To School Size, Is Bigger Really Better?

Almost since the emergence of public schools, many reformers have maintained that a bigger school is a better school. A major thrust of the Progressive Movement was the establishment of networks of large high schools, designed to outperform others by use of efficiency, specialization, and standardization.[1] Recently however, many academics have begun to question whether these motivations are justified.

Small schools are often seen as inefficient because they are not large enough to achieve certain economies of scale in the area of administration and transportation. This view is misguided, according to economists Gary Galles and Robert Sexton, because large-scale, centralized organizations in education produce negative incentives that outweigh any cost advantages achieved through centralization.[2]

University of Florida economist Dale Ballou demonstrated this empirically when he undertook regression analysis of per pupil expenditures and school size. He determined that increasing the mean school size by 100 pupils throughout a district would save a school district less than three-tenths of 1 percent of its current expenditures, or about $14 per pupil.[3] Ballou reaches the conclusion that, "urban districts by and large exceed the size necessary to realize scale economies.[4]

If large schools were as good for students as small schools, the lack of economies of scale would not be so troubling. A large body of research, however, shows that students do better academically and socially in small schools and are better prepared for future endeavors.

For example, an important benchmark for measuring a good school is its dropout rate. A school with a

high percentage of students who not only fail to graduate but remove themselves from the school system long before the 12th grade, is not fulfilling its educational mission. Education professors Robert Pittman and Perri Haoughwout looked at data on 744 high schools and found that for every 400-student increase in school size, the dropout rate would rise by approximately 1 percent.[5]

Psychologists Daniel Katz and Robert Kahn provide a strong theoretical reason why students do better in small schools. The authors note:

With large numbers, it is difficult to utilize fully the wide range of skills, experience, and specialized knowledge represented in organizational members. Except for performance of specialized roles, people become spectators in the organization rather than members in a more active sense.[6]

Sociologists David L. Morgan and Duane F. Alwin determined that the smaller the school, the more engaged students are, finding that students in Washington state's largest schools participated in an average of 2.2 activities, whereas students in the state's smallest schools participated in an average of 7.6 activities.[7] William G. Camp, an education professor at Virginia Tech, found that increasing the number of school activities undertaken by students can lead directly to a reduced likelihood of dropping out, increases in academic achievement, improved interpersonal skills, and lower levels of delinquency.[8] Numerous other studies find that small schools improve student achievement and engagement.[9]

Perhaps most importantly for urban school reformers, small schools might be most important for ethnic minorities and low-income students. A four-state study of the effects of small schools found that they reduced by 50 percent the negative impact of poverty on student achievement.[10] Many researchers and education foundations feel that lowering school size is a very important component of reforming education in the inner city.[11]

When it comes to the optimum school size for educational attainment, especially in Ohio's urban areas, small is beautiful. Given the fact that private and community schools are often considerably smaller than their state counterparts (Table 3), it could be the case that their significant advantage in academic performance is perhaps more to do with their structure than the nature of their students.

[1] Valerie E. Lee and Julia B. Smith, "Effects of High School Restructuring and Size on Early Gains in Achievement and Engagement," Sociology of Education 68 (October 1995): 242.

[2] Gary M. Galles and Robert L. Sexton, "Diseconomies of School District Size," Journal of Social, Political, and Economic Studies 20 (Summer 1995): 242.

[3] Dale Ballou, "The Condition of Urban School Finance: Efficient Resource Allocation in Urban Schools," In Selected Papers in School Finance 1996, ed. William J. Fowler Jr. (Washington, DC: Government Printing Office, 1998): 70.

[4] Ballou, "The Condition of Urban School Finance," 69.

[5] Robert B. Pittman and Perri Haoughwout, "Influence of High School Size on Dropout Rate," Educational Evaluation and Policy Analysis 9 (Winter 1987): 337-342.

[6] Daniel Katz and Robert L. Kahn, The Social Psychology of Organizations, (1966, 2nd edition, New York, NY: Wiley, 1978): 108.

[7] David L. Morgan and Duane F. Alwin, "When Less Is More: School Size and Student Social Participation," Social Psychology Quarterly 43, no. 2 (June 1980): 248.

[8] William Camp, "Participation in Student Activities and Achievement: A Covariance Structural Analysis," Journal of Educational Research 83 (1990): 272-278.

[9] See, for, example, Steve Bradley and Jim Taylor, "The Effect of School Size on Exam Performance in Secondary Schools," Oxford Bulletin of Economics and Statistics 60 (August 1998): 291-325; Mary Anne Rawid, "Downsizing Schools in Big Cities," ERIC Digest. ERIC Clearinghouse on Urban Education. EDO-UD-96-1. Available on-line at http://www.ael.org/eric/digests/edoud961.htm.

[10] Craig B. Howley and Robert Bickel, School Size, Poverty, and Student Achievement (Washington, DC: Rural School and Community Trust, February 2000).

[11] See, for example, Michelle Fine, Chartering Urban School Reform: Reflections on Public High Schools in the Midst of Change (New York, NY: Teachers College Press, 1994). For increased emphasis of philanthropists on small schools in Ohio, see the $31.5 million Ohio High School Transformation Initiative sponsored by the KnowledgeWorks Foundation and the Bill and Melinda Gates Foundation, among others.

sections of the fourth grade reading test in Cleveland schools would increase by 4.6 percentage points, or 21 percent.[15]

This effect may seem small, but the analysis was limited to students in the traditional Cleveland public schools. Since the students who transfer out of CMSD to private or Community Schools are likely to do better, in aggregate the positive effects on student learning are likely to be substantial. This is true especially when considered in the context of the small impact that public policy typically has on student learning.

B. The Overall Effects of Increasing School Choice in Ohio Cities

A significant expansion of school choice would have substantial impact on Ohio's cities. Unfortunately, the full effects are not known since such a dramatic change in the educational environment of an urban area has not been implemented. Yet, existing research and experience with educational choice suggests the following:

- Education quality should improve through increased competition for students;
- Overall spending on schools should fall as students opt for lower cost alternatives such as Community Schools and private schools;
- Neighborhoods should stabilize as middle-income families are attracted into the city, raising home values and providing stronger incentives for educational improvement.

While controversial, the role of private schools is increasingly recognized as an important element of a strong and successful city. University of Cincinnati planner David Varady found that strong local parochial schools were crucial for ensuring neighborhood stability.[16] Similarly, competition from private schools has important positive effects on public school performance.[17] As public schools improve, the school districts of Ohio's major cities should be able to increase their enrollments (or at least reduce the exodus from the existing school system).

4. Effects on Cities

Increased education quality has an important, positive general impact on cities as well. This is most clearly evident in housing values. A study of 134 school districts in six Ohio metropolitan areas found that better education significantly boosted housing values after factoring out the influence of characteristics such as race, crime rate, tax rate, house size, number and kinds of rooms, and the time of sale.[18] If a school district's performance were to increase by 10 percentage points relative to its neighbors, housing prices would rise by 2.2 percent, or approximately $1,720.

A. Economic Diversity

Rising school quality will have a positive effect on city neighborhoods as the city becomes a more attractive place to live. We would expect to see an increase in middle-class families with children and less segregation by income. Duke economist Thomas Nechyba has studied the institutional structure of education financing and its impact on neighborhood income segregation.[19] He found that flourishing private school markets decrease residential income segregation by giving families the ability to purchase lower-priced homes in poorer neighborhoods without sacrificing school quality.

Nechyba suggests that the best way to reduce residential income segregation is a voucher program aimed at only the poorest district. He estimates that introducing a $5,000 voucher into the poorest school district in an area would create a link between city housing purchase and voucher eligibility. This link would increase demand for housing in the poor district by so much that the ratio of average income between the richest area and poorest area decreases from 2.13 to 1.20.

To put this in perspective, consider that the highest median income in Cuyahoga County is in the suburb of Orange ($57,928). The ratio between Orange's income and Cleveland's income ($21,015) is therefore 2.75. If the introduction of a $4,949 universal voucher into Cleveland had an effect of residential income segregation of the same magnitude estimated by Nechyba, incomes in Cleveland would rise to approximately $32,465.

B. City Tax Base and Receipts

As more middle-income residents are retained or move into the city because of the availability of a voucher to attend the school of their choice, the average income of a city resident should increase over time. This would have a positive impact on the income tax revenues collected by the city, although it is difficult to predict by how much.[20]

Housing values will also increase as a result of new families moving into Ohio's cities. Any increase in housing value will not immediately increase the revenues that go to schools, since H.B. 920 limits the amount of money that school districts can receive from increases in home values to the level voted on in the past. It is important, however, for Ohio's cities to have as high a residential property tax base as possible so that any future tax levies would be at the lowest rate possible. Lower tax rates will help Ohio's cities compete in a global marketplace.

5. Expanding Choice: The Case of Cleveland

While all Ohio cities have experienced substantial decline from their mid-twentieth century heyday, Cleveland's fall has perhaps been most acute. In 1900, Cleveland was the nation's seventh most populous city and ranked as high as fifth in 1920 (Table 2). Even as recently as 1970, Cleveland was one of the ten largest cities in the nation.

Table 2

Cleveland's Population and Ranking Among U.S. Cities, 1900-2000

Year	Population	Rank
1900	381,768	7th
1910	560,663	6th
1920	796,841	5th
1930	900,429	6th
1940	878,336	6th
1950	914,808	7th
1960	876,050	8th
1970	750,903	10th
1980	573,822	18th
1990	505,616	23rd
2000	478,403	33rd

Source: U.S. Census Bureau, *Population of the 100 Largest Cities and Other Urban Places in the United States: 1900-1990;* 2000 Census Factfinder.

Beginning in the late 1960s, however, Cleveland began a steep decline, losing nearly 180,000 residents in the decade following the notorious Cuyahoga River Fire.[21] As the *Columbus Dispatch* would put it many years later, "When the Cuyahoga River caught fire June 22, 1969, it became an enduring symbol—a prime example of urban blight in general and Cleveland's declining fortunes in particular."[22] In 1978, Cleveland became the first major city to go into default since the Great Depression.[23]

Since emerging from default in 1980, Cleveland has, by some indicators, turned itself around. Attractions like the Rock and Roll Hall of Fame and Jacobs Field, together with downtown shopping destinations such as Tower City and the Galleria, have replaced "The Fire" as the enduring image of Cleveland for many. Unfortunately, turning around the city's image did not put an end to the residents leaving the city. Cleveland's population declined by 13.5 percent in the 1980s and 5.4 percent in the 1990s, reaching a new low of 478,403 residents during the 2000 Census. While this decline has been moderating, whether the city has bottomed out is questionable.

A. Cleveland's Strengths

Cleveland has important areas of strength. Ethnically diverse neighborhoods, sport and cultural opportunities, and a vibrant downtown are but a few. History and recent state education policy has also led to a large number of potential education opportunities for its residents. Local leadership and the state legislature

Table 3

Profile of Cleveland's Schools

Type	Grade Level	Number	Enrollment	Average School Size
Public				
	Elementary	82	40,105	489
	Middle School	24	15,726	655
	High School	13	13,947	1,072
	Total	119	69,778	586
Community				
	Elementary	14	4,678	334
	High School	2	1,226	613
	Total	16	5,904	369
Private				
	Elementary	42	9,961	237
	High School	6	3,314	552
	Other	9	834	93
	Total	57	14,109	248
Total		192	89,791	468

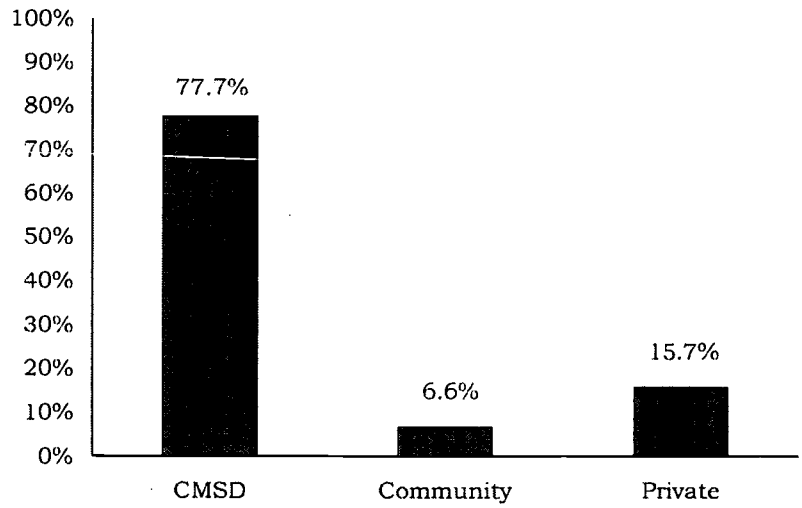
Source: See Appendix 1.

will determine whether the city can capitalize on these assets. Clearly, the role of urban education, and non-traditional public and private schools in particular, will be a critical ingredient.

The private sector operates 57 schools in the city. Over the last four years, 16 independent public schools (Community Schools) have begun operation in Cleveland.[24] Currently, 22.3 percent of the children enrolled in Cleveland schools are educated outside the traditional public school system.[25] Moreover, Cleveland Municipal School District (CMSD) enrollment has been falling and forecasts for the next five years predict continued decline.[26]

Non-traditional public schools compete effectively for some suburban students. Nearly 10 percent of enrollment in Cleveland's Community Schools comes from suburban districts.[27] Over time, as these schools become more

Figure 1
Distribution of Cleveland's Schoolchildren



established, parents may begin making home-buying decisions based on the location of Community Schools, in much the same way that parents do with traditional public and private schools.

Shifting the city's demographics to a level comparable to its neighboring communities in Cuyahoga County would require attracting 9,294 two-parent households with school-age children into the city of Cleveland (most likely from other Cuyahoga County communities). This would add about 29,648 new people to the city's population and about 11,060 children to the Cleveland school system.[28]

These families and households would significantly increase the demand for education across the board. Given past trends, most of these new households would want non-traditional education alternatives, such as Community Schools, private schools (secular and religious), and specialized magnet schools (even though the majority of these schools spend significantly less per student than traditional public schools).

B. The Impact of Expanding Choice on Enrollment

The Effect of School Choice on Test Scores: The Case of Milwaukee

It may be obvious to see how increasing school choice and encouraging greater enrollment in private and community schools will increase the average test scores of those who choose to move there. A greater puzzle, however, is to see how this will increase the average test scores of those who *choose not to move*. Indeed, increasing school choice can increase the academic performance of those who decide not to exercise the very choice they are given.

This effect may be founded on the very basis of many of man's economic decisions: competitive nature. Public schools will rise to the challenge put to them by the private and community schools and improve to retain their students. Until recently, little research has been done in this field because it is very difficult to econometrically measure exposure to private school choice.

Jay P. Greene and Greg Forster, researchers with the Manhattan Institute, have investigated this concept in depth.[15] They determined that schoolchildren eligible to participate in the federal lunch program could be used as a proxy for those with exposure to free private schools in Milwaukee. Collecting and analyzing these data, along with test scores from 168 Milwaukee schools, they concluded that as eligibility for free private schools through school choice increased by 50 percent, average *public school* test scores (at the 4th grade level) increased by 10 percentage points, controlling for other factors such as race and income.

Furthermore, Greene and Foster were also able to show how increased exposure to Community Schools produced similar increases in public school test scores. Since community schools are free, the authors used community schools' distance from public schools as a proxy to competition. They concluded that if a Community School located an average of two and a half miles away from a public school, average test scores increased by 3.5 percentage points at the public school. If however, the Community School was half a mile away the increase in test performance in the public schools was *nine percentage points*.

Therefore, while perhaps not intuitively obvious, it is certainly interesting to see how increasing school choice in Cleveland could lead to not only an increase in the academic performance of those who choose to move out of the public school system, but also a rejuvenation and revitalization of the public school system itself.

[1] Jay P. Greene and Greg Forster, "Rising to the Challenge: The Effect of School Choice on Public Schools in Milwaukee and San Antonio," Civic Bulletin 27 (New York, NY: Manhattan Institute, October 2002).

The key question for local policymakers will be whether they can create an education environment that is flexible, adaptable, and dynamic enough to meet the rising demand for high-quality education alternatives. One approach is to move to an entirely different way of funding education. Rather than fund specific schools, urban education could be funded using a "child-centered" approach, where education dollars flow directly to schools based on the decisions of parents. A child-centered funding framework would essentially create a "market" for education and would have the effect of a universal voucher where students could choose from a wide range of alternatives—public, private, and even public-private partnerships. The numbers that follow show what would happen if a universal voucher equal to the state foundation amount ($4,949) was available to anyone living within the city.

Effects on Enrollment

The long-run impact of expanding school choice citywide (at the proper funding level) would be to dramatically increase the number of students in Community and private schools. More than a few Cleveland Community Schools have waiting lists, suggesting that sufficient demand exists for expanded education alternatives.[29]

Substantially increasing the value of the school voucher to more closely match school costs would likely make private schools more popular than traditional public and Community Schools for two reasons. First, families often believe private schools provide superior education.[30] Second, private schools are less regulated, unencumbered by inefficient and counterproductive collective bargaining agreements, and can provide religious education desired by some families.[31] Although the only private schools that currently participate in the Cleveland voucher program are religious ones (since the value of the voucher does not cover the full cost of educating a student), the increase of the voucher to more closely match school costs is likely to increase the supply of secular private schools.[32]

Effects on Neighborhoods

A child-centered funding system in Cleveland that provides parents with the flexibility to choose the school their child attends—be it a traditional public school, a Community School, or a private school—would be a significant factor in convincing middle-class families to stay in the city or, if they live in the suburbs, to *move back into the city*.

Consider the decision-making process of a young family in Cleveland whose oldest child is getting close to school age. By giving families the opportunity to choose from among all Cleveland schools (public, private, or Community), policymakers will be dramatically increasing the quality of the schools that, in the mind of homebuyers, are associated with buying a house in the city.

Thus, the immediate effect of increasing educational opportunities will be to increase the attractiveness of living in the city for people with children. The secondary effects on neighborhoods and economic vitality in the city discussed earlier, while slightly more difficult to estimate, provide compelling reasons why the expansion of education alternatives has to happen *now*, so that these long run secondary effects can begin to occur.

Effects on the Cleveland Municipal School District

Paradoxically, the CMSD has a much better opportunity to convince parents of the quality of their schools if the parents are living in the district. Once a family moves, it might find itself realizing that its

Table 4

Cleveland Enrollment Mix After Expanded School Choice

School Type	Current Levels	With Expanded School Choice
CMSD	69,778	69,778
Community	5,904	5,904
Private Schools	14,109	25,169
Total	89,791	100,851
CMSD Market Share	77.7%	69.2%

neighborhood public elementary school is very good or offers several programs unavailable at the nearby private school. For that reason, some of the new (migrating) children in Cleveland will eventually attend traditional Cleveland schools. As the CMSD improves in quality, the system will be in a better situation to compete for these new students.

For example, suppose the expansion of education opportunities in Cleveland is successful in attracting middle-income, two-parent households into the city, and that it occurs at a sufficient level to equalize the difference between the city and its neighbors. This would mean that about 9,294 families would move into the city. These families would "bring" about 11,060 new children into the city and into Cleveland's private schools.[33]

The impact that potential influx of new residents could have on the enrollment distribution in Cleveland schools is shown in Table 4. This analysis assumes that enrollment in CMSD and Community Schools remains constant. Private school enrollment increases by 11,060 students as families move into Cleveland to take advantage of the high-quality educational opportunities now available to them. This suburb-to-city migration will increase the number of students enrolled in all Cleveland schools from 89,791 to 100,851, an increase of over 12 percent. While there is probably not enough capacity for all of these additional students in Cleveland's current private schools, the expansion of the voucher amount to the foundation level should increase the number of private schools in the city.

C. The Fiscal Impact of Expanding Choice

The fiscal impact of these enrollment shifts is very important. Currently, CMSD spends $9,405 per student of taxpayer money, or approximately $656.2 million, each year (excluding the costs of new construction and renovating buildings, debt service, and other capital costs).[34] Community Schools in Cleveland, on average, cost taxpayers $6,053 dollars per student. Current voucher students cost the Ohio taxpayers a maximum of $2,250 per pupil. Switching to a child-centered funding system will have a significant and varied fiscal impact.

Local City Spending

Local property tax revenues are fixed in the short-run since school property taxes are levied as an amount, not a rate. Students receiving vouchers, therefore, do not take any local tax revenue with them to

their private school.

In other words, each child leaving the Cleveland school system will leave behind his or her share of local property tax revenues. Over time, two things can happen: 1) CMSD can continue to operate at a higher level of per-pupil spending, using the money in an attempt to improve learning; 2) Property taxes could be reduced to the point where spending per pupil returns to the current level of $9,405 per student. If policymakers chose to reduce residential property taxes in the city, they would be making Cleveland an even more attractive place to potential residents.

State Spending

The State of Ohio currently provides the CMSD with an average of $5,251 per pupil, or roughly $366 million annually. This means that the state saves very little money when students switch to private schools and spends more (on average) when a student goes to a Community School. This is because most categorical funding follows the student when a student attends a Community School.

This same principle should apply to any expansion of the voucher program. Categorical funding should follow the student whether that student is enrolled in a traditional public school, Community School, or private school. Since the number of students (from the state's perspective) is not increasing, this should mean neither an increase nor a decrease in state funding.

Federal Spending

Presently, the city of Cleveland receives $1,473 per pupil from the federal government, or roughly $103 million in total. Federal funds are often targeted toward educationally disadvantaged populations. If disadvantaged students decide to take advantage of the opportunity presented by the voucher program, to the extent applicable by law, these funds should follow the student. This means that the amount spent on the public schools is likely to decrease, as more of it follows the students that attend private schools using a voucher.

D. The Short-term Costs of Education Empowerment Zones

Although the elements of Education Empowerment Zones exist in Cleveland, expanding education alternatives in Cleveland will have a short-term cost. Primarily, this cost is the expansion of vouchers to those residents who currently pay for private schools out of their own pocket.[35] Currently, 9,434 students in Cleveland attend private schools without a voucher. Extending a $4,949 voucher to them would cost roughly $47 million. Since none of them currently attends public school, the state will receive no savings in the form of forgone state foundation aid. Add in the costs of increasing the voucher amount for those who currently receive one ($12,617,825), and the transition cost of expanding the voucher program is just under $60 million ($59,306,691).[36]

E. Phasing-in Education Empowerment Zones

By phasing-in a comprehensive choice program, the short-term costs can be more evenly spaced out over time. This approach could make the program more politically feasible, particularly during a period of fiscal restraint. Tables 5, 6, and 7 present a six-year phase-in proposal. The voucher amount will increase by $500 annually from its current maximum of $2,250. This means that by year six, the voucher will be at $5,250, a level higher than the immediate implementation amount of $4,949.[37]

The analysis assumes that all current private school students will receive $2,750 vouchers in Year 1,

Table 5
Six-year Phase-in of Voucher Expansion, Enrollment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
CSTP [1]	4,675	4,675	4,675	4,675	4,675	4,675
Private Schools [2]	9,434	9,434	9,434	9,434	9,434	9,434
New Residents [3]	1,843	3,687	5,530	7,373	9,217	11,060
Total Voucher Enrollment	15,952	17,796	19,639	21,482	23,326	25,169

[1] Current enrollment in the Cleveland Scholarship and Tutoring Program (CSTP).

[2] Current Non-CSTP private school enrollment in Cleveland.

[3] Estimated children from families moving into Cleveland due to voucher availability.

along with a handful of new students switching from suburban public to private schools. In Years 2-6, the number of students receiving vouchers increases as families begin to return to the city to receive the higher voucher. In Year 6, total voucher enrollment is estimated at 25,169 students (Table 5).

Under a phase-in plan like this, the direct first-year costs would be $47.9 million. By year 6, the direct cost would be $132.1 million.[38]

Offsetting Revenues

Although the direct cost of the voucher program's expansion will be $132.1 million, the new dollars needed to implement the plan are far less. Table 7 shows how several streams of revenue already exist that reduce the true cost of expanding the voucher program.

Table 6
Six-year Phase-in of Voucher Expansion, Direct Outlays (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
CSTP [1]	$12.9	$15.2	$17.5	$19.9	$22.2	$24.5
Private Schools [2]	$25.9	$30.7	$35.4	$40.1	$44.8	$49.5
New Residents [3]	$9.1	$18.2	$27.4	$36.5	$45.6	$58.1
Total Direct Outlays	$47.9	$64.1	$80.3	$96.5	$112.6	$132.1

[1] CSTP enrollment from Table 5 multiplied by voucher amount for given year.

[2] Private school enrollment from Table 5 multiplied by voucher amount for given year.

[3] New residents enrollment multiplied by $4,949 ($5,250 in year 6).

One source of revenue is current state aid going to students in private schools. The resources that currently go to private schools through the auxiliary services and non-public administrative cost reimbursement should be treated as a "block grant" and rolled into the voucher amount of $4,949.[39] For fiscal year 2002, the auxiliary services line item equals just over $122 million and the non-public administrative cost reimbursement equals $53.5 million.[40] Since these funds are distributed on a per-pupil basis, providing them through a voucher should have little effect on the distribution of resources. Providing these funds through the voucher program will also have the advantage of streamlining the provision of these funds.

And while the total cost of the voucher program is increasing, the state is saving money by not having to fund students no longer enrolled in suburban public schools. Table 7 also takes into account current appropriations for the Cleveland Scholarship and Tutoring Program, which total $18.1 million. When these savings are taken into account, the true cost of expanding the voucher program in Cleveland is far less than the $132.1 million shown in Table 6.

In Year 1, $9.5 million new dollars are needed to bring the voucher level to $2,750 and extend vouchers to all Cleveland residents currently enrolled in private schools within the district. The cost of full implementation in year 6 is just under $65 million (Table 7). Additional funding options are discussed in section 7.

Table 7
Six-year Phase-in of Voucher Expansion, True Costs (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Total Direct Outlays [1]	$43.9	$57.8	$73.6	$91.3	$110.8	$132.1
CSTP Allocation [2]	$18.1	$19.0	$20.0	$21.0	$22.0	$23.1
Auxillary Services [3]	$8.3	$9.3	$10.2	$11.2	$12.2	$13.1
Non-public Administrative Cost Reimbursement [4]	$3.7	$4.1	$4.5	$4.9	$5.3	$5.8
State Revenue No Longer Going To Suburban Districts [5]	$4.3	$8.5	$12.8	$17.1	$21.4	$25.6
New Dollars Needed	$9.5	$16.9	$26.1	$37.1	$49.9	$64.5

[1] From Table 6.

[2] Year 1 is CSTP budget for FY 2003. Years 2-6 assume 5 percent annual increase.

[3] Voucher enrollment (Table 5) times $522, estimated auxillary services per pupil, FY 2002.

[4] Voucher enrollment times $229, estimated non-public admin. cost reimbursement, FY 2002.

5 Voucher enrollment times $2,317, Cuyahoga County (minus Cleveland) state revenue per pupil.

6. Expanding Choice in Other Ohio Cities

Every major Ohio municipality is unique and a universal voucher at the state foundation level would have a different impact on each city. Cincinnati, for example, currently has a very vibrant private school market. Over 35 percent of children going to school in Cincinnati attend a school other than a traditional Cincinnati public school. With 17,053 students currently in private school in Cincinnati, the transition cost of implementing a voucher program in Cincinnati is going to be much higher than in Dayton, where only 4,129 students attend private school.

Table 8 shows the current enrollment in the various types of schools in Akron, Cincinnati, Columbus, Dayton and Toledo after the enactment of a universal voucher. Like the earlier analysis for Cleveland, Table 8 assumes that migration to the point where the percentage of two-parent families between the city and the surrounding county is equalized. This means that the amount of migration (and thus increased enrollment) varies quite a bit among some areas based upon the current level of economic integration. Total school

Table 8
Enrollment Mix Before and After Expanded School Choice, Major Ohio Cities

School Type/City	Current Enrollment	After Expanded School Choice
Public		
Akron	29,638	29,638
Cincinnati	39,499	39,499
Cleveland	69,778	69,778
Columbus	61,829	61,829
Dayton	19,832	19,832
Toledo	36,615	36,615
Community		
Akron	1,553	1,553
Cincinnati	5,904	5,904
Cleveland	4,626	4,626
Columbus	2,153	2,153
Dayton	4,294	4,294
Toledo	1,845	1,845
Private		
Akron	4,729	9,228
Cincinnati	17,053	26,185
Cleveland	14,109	25,169
Columbus	11,188	13,064
Dayton	4,129	8,488
Toledo	8,916	11,957
Total	337,690	371,657

Source: See Appendix 1.

enrollment in these six cities is estimated to increase by almost 34,000 students, or just over 10 percent.

Table 9 shows the new dollars needed to phase-in an education voucher—that will equal $5,250 per pupil in year 6—in Akron, Cleveland, Cincinnati, Columbus, Dayton, and Toledo. See Appendix 1 for complete calculations of all the fiscal effects of the expansion of the voucher program on the other cities. In year one, the cost would vary from $36.5 million in Cincinnati to $9.1 million in Dayton. The dramatic difference in cost between cities is due to the large number of current private school students in Cincinnati relative to Dayton.

If the expanded voucher program were enacted in all of these cities, by the end of year 6 the total cost would be $316.3 million. This should be viewed as the maximum cost of expanding the voucher program to all major cities in Ohio. The following section deals with funding the cost of moving to a child-centered funding system.

Table 9
New Dollars Needed for Voucher Expansion, Major Ohio Cities

City	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Akron	$10.8	$14.5	$18.2	$21.9	$25.6	$30.6
Cleveland	$9.5	$16.9	$26.1	$37.1	$49.9	$64.5
Cincinnati	$36.5	$47.5	$58.5	$69.4	$80.4	$94.1
Columbus	$23.0	$29.3	$35.6	$41.9	$48.1	$55.1
Dayton	$9.1	$12.0	$15.0	$17.9	$20.8	$25.1
Toledo	$18.8	$24.2	$29.7	$35.1	$40.5	$46.9
Total	$107.8	$144.5	$183.0	$223.3	$265.4	$316.3

Source: Appendix 1.

7. Funding the Transition

In opening up the private education facilities in Ohio's cities to all students, it will be necessary to pay for those students already attending private schools. As shown below, however, the issue of covering any up-front costs may be more of a molehill than a mountain.

On a per-pupil basis private schools are considerably cheaper than public schools. Hence, the savings from moving public school students into the private schools, coupled with the additional benefits of encouraging two-parent families back to the city, will eventually outweigh the short-term fiscal cost of educating those who currently pay for their own schooling.

Funding this short-term cost, though, remains a concern. Fortunately, because of the nature of the school district re-structuring, and the positive benefits that it will have in terms of educational attainment improvements and favorable demographic changes, many of the state's current programs will become either wholly unnecessary or simply less important than they currently are. In light of this, funding for these programs can either shift toward the voucher program or be scaled back. Such an effort would allow these funds to be used to cover the initial transfer costs of this program.

For example, currently the "Alternative Education Program" spends $18 million per year supporting programs that aid students at risk of dropping out.[41] Research has shown, however, that private schools and smaller public schools have far lower drop out rates than their large public counterparts.[42] As Table 3 shows, Community Schools and private schools are typically much smaller than traditional public schools. Therefore, since one aim of this re-structuring is to increase the number of private schools and small public schools, it is likely that drop out rates will likely fall *naturally* and much of this department's budget will become superfluous. A number of similar programs exist at the state level.[43]

The passage of the federal No Child Left Behind Act also creates a number of opportunities to shift funds from less effective areas to those with greater returns.[44] Research has shown a lower rate of drug availability in private schools versus their public counterparts.[45] As with the Alternative Education Program, natural decreases in use could be expected through an increase in private education. Fifty percent of the funds for "Drug-Free Schools" then may be shifted to other areas that could fund vouchers. "Class Size Reduction" is heavily funded at the federal level, to the tune of $65 million. Little research backs its effectiveness, though, and its goals may be obtained in the same manner as the drop in drug use—expand the voucher system.[46] As with other programs, Ohio can apply for waivers if there is evidence to back an alternative approach.[47]

The Buckeye Institute analyzed 92 programs in the current Ohio Department of Education budget in an attempt to identify those that might be affected by a comprehensive choice program. Nearly two dozen programs could be removed, downsized, or have their priorities shifted. At a conservative estimate, this could create a total of nearly $380 million, more than enough to fully fund comprehensive choice in each of Ohio's major urban centers.[48] While this study does not recommend changes to specific programs, the exercise suggests that *ample capacity* currently exists within the state and federal funding system to fully fund a re-structuring of urban education in Ohio within a child-centered funding framework.

8. Conclusion

The major cities in Ohio face many problems at present, but surely among the most pressing has to be the poor quality of their public schools. The continued migration of the middle-class into the suburbs only compounds this problem, lowering the tax base and removing many students with a high level of parental involvement. This situation will continue unabated if nothing is done. If this vicious cycle is to be broken, inaction is simply not an option.

Restructuring municipal education systems through the creation of Education Empowerment Zones will break that cycle by linking city residents to *all* the schools located in the city. The benefits of this approach include greater economic integration, long-term savings, and increased student learning. Increasing the exposure to Community and private schools will have the effect of improving the quality of education across the board. Community and private school students will benefit from expanded high-quality educational opportunities and the students remaining in the public schools will be better off as the public schools respond positively to declining market share. Fiscally, there would be long-term savings for taxpayers, as Community Schools and private schools educate students at a significant discount.

Furthermore, and perhaps most importantly of all, the net effect of these measures will make Ohio's urban centers more attractive places to live to the very people whose desertion has been largely responsible for their economic decline over the past several years—*two-parent, middle class families*. The return of these families to the city would increase the tax base and help to stabilize neighborhoods. This, however, would only be the tip of the iceberg in terms of the potential benefits. Housing prices in the city would likely rise in response to the increased demand and the increased value of the high-quality education opportunities.

This process of school district restructuring is a truly innovative and promising way to turn around Ohio's flagging urban school systems and reenergize their economies and social structures.

Notes

[1] See, for example, Samuel R. Staley and Matthew Hisrich, *Quality Growth and Urban Sprawl in Ohio* (Columbus, OH: The Buckeye Institute for Public Policy Solutions, December 2001).

[2] Tom Bier, "Moving Up, Filtering Down: Metropolitan Housing Dynamics and Public Policy," Brookings Institution Discussion Paper, September 2001.

[3] Bier, "Moving Up, Filtering Down," 9.

[4] A 58 percent correlation was found between the number of state standards a school district passed and the driving distance from that school district to downtown Cleveland (as obtained through Yahoo! Maps). This relationship exists for other Ohio cities, although, not surprisingly, it is weaker for cities like Columbus that have numerous independent school districts close to the downtown. For example, the correlation between the number of standards passed and driving time from downtown in Columbus is 0.48. The presence of good, independent school district, close to downtown means that many Columbus residents don't have to move "up and out" in order to get good schools.

[5] During the 2000-2001 school year, the most recent year for which data is available, the Cleveland Municipal School District (CMSD) finished 607th out of the 608 Ohio school districts receiving local report cards. CMSD reached four of the 27 state indicators, placing the district ahead of only the East Cleveland City School District. For more information, see Ohio Department of Education, "District Results – Performance Indicators," Data File. Available on-line at http://ilrc.ode.state.oh.us/Download.asp.

[6] See, for example, Thomas J. Nechyba and Robert P. Strauss, "Community and Local Public Services: A Discrete Choice Approach," Regional Science and Urban Economics 28 (1998): 51-73.

[7] William T. Bogart and Brian A. Cromwell, "How Much More Is A Good School District Worth?" National Tax Journal 50 (June 1997): 215-32.

[8] Jay P. Greene, Choice and Community: The Racial, Economic, and Religious Context of Parental Choice in Cleveland (Columbus, OH: Buckeye Institute for Public Policy Solutions, November 1999).

[9] According to the 2000 Census, the median family income of a Cuyahoga County couple with children was $64,867. The median family income of a single female with children was $19,420; a single male with children was $30,415.

[10] This does not mean that there are not enough of these families to turn around a few neighborhoods. Cleveland has some neighborhoods that, demographically speaking, compare favorably to some suburban districts. The neighborhood of Cleveland known as Kamm's Corner, for example, has an average home value of $115,666 according to 2000 Census data. Census data also shows, however, that only 23 percent of the school-age children in Kamm's Corner attend public schools.

[11] For more on the positive impact that private schools can have on student performance, see William N. Evans and Robert M. Schwab, "Finishing High School and Starting College: Do Catholic Schools Make A Difference?" Quarterly Journal of Economics 110 (November 1995): 941-74.

[12] For an overview of the research, see Box 2: When it Comes To School Size, Is Bigger Really Better?

[13] Hall, "Private School Performance and Public School Quality."

[14] See, for example, Jim F. Couch, William F. Shughart, and Al L. Williams, "Private School Enrollment and Public School Performance." Public Choice 76 (August 1993), 301-312. Also, Caroline M. Hoxby, "Do Private Schools Provide Competition for Public Schools," August 2000 revision of NBER Working Paper no. 4978. Samuel R. Staley and John P. Blair, "Quality Competition and Public Schools: Further Evidence," Economics of Education Review (June 1995): 193-98.

[15] Hall, "Private School Performance and Public School Quality." The coefficient on the non-public enrollment variable was 0.2312 for the 4th grade exam, meaning a 1 percentage point increase in the percent of students attending non-public schools would increase 4th grade proficiency test scores by 0.23 percentage points. The analysis above assumes that a 10 percentage point increase would increase passage rates on the 4th grade proficiency test in Cleveland from 17 percent currently to 19.3 percent, a 12 percent increase.

[16] David P. Varady and Jeffrey A. Raffel, Selling Cities: Attracting Homebuyers through Schools and Housing Programs (Albany, NY: State University of New York Press, 1995).

[17] Joshua Hall, "Private School Performance and Public School Quality: Evidence from Ohio," (Master's thesis, Ohio University, 1999).

[18] Donald R. Haurin and David M. Brasington, "School Quality and Real House Prices: Inter- and Intrametropolitan Effects," Journal of Housing Economics 5 (1996): 351-368. The six metropolitan areas were Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo metropolitan areas. The analysis excluded the central cities.

[19] Thomas Nechyba, "School Finance, Spatial Income Integration and the Nature of Communities," Duke University, mimeo. Available at http://www.econ.duke.edu/~nech yba/segregation.pdf.

[20] Income taxes mostly accrue to the locality where the taxpayer earns the income as opposed to where the taxpayer resides. Cleveland currently provides for a 50 percent credit against income taxes paid to other municipalities, so if at least a portion of the new city residents did not previously work in the city, income tax receipts should rise. http://www.ccatax.ci.cleveland.oh.us/taxrates.htm

[21] The Cuyahoga River Fire occurred on June 22, 1969. Roger Brown, "1969 River Blaze Scarred Image," Cleveland Plain Dealer, 18 June 1989.

[22] "River's Cleanup Invigorates Cleveland 25 Years After 'The Fire,'" Columbus Dispatch, 2 July 1994.

[23] "River's Cleanup Invigorates Cleveland."

[24] For more information on Community School growth in Ohio, see "Community School Growth in Ohio," Policy Note (Columbus, OH:

Buckeye Institute for Public Policy Solutions, September 2002).

[25] Importantly, Census data indicate that 26.1 percent of the school-age children in families living in Cleveland attend private schools. Census data are based on residence, therefore this suggests that many families may send their children outside the school district to attend schools or homeschool.

[26] "Cleveland Five Year Forecast for Fiscal Year 2003." Available online at http://fyf.oecn.k12.oh.us/fyforecast/.

[27] Buckeye Institute research of the October 2002 enrollment figures for Cleveland Community Schools, obtained from the Community Schools payment reports. Available online at http://www.ode.state.oh.us/school_finance/community_schools/default.asp.

[28] This presumes that these households are similar in size to the average family size in Cleveland during the 2000 census (3.19 people per family). When 9,294 families are added to Cleveland from the surrounding area, this equates the percentage of two-parent households in both areas at 17.549 percent.

[29] Every Community School in Cleveland was contacted and out of the 13 that replied, ten said that they have a waiting list. Out of these ten schools, only four were willing to provide information on the length of the list, and the average for these four schools was a waiting list of 60 prospective pupils.

[30] This is what political scientist Terry Moe has called the "hidden demand" for private schools. Terry Moe, "Hidden Demand," Education Next 1 (Spring 2001): 48-55.

[31] Matthew J. Brouillette and Jeffrey R. Williams, The Impact of School Choice on School Employee Labor Unions (Midland, MI: Mackinac Center for Public Policy, June 1999). Brouillette and Williams found that while 100 percent of traditional public schools in Michigan were unionized, only 3.6 percent of charter (Community) schools and 0.2 percent of private schools were. For a discussion of how teacher unions negatively affect school performance, see Caroline M. Hoxby, "How Teacher's Unions Affect Education Production," Quarterly Journal of Economics 111 (August 1996): 617-718.

[32] "Cleveland Catholic schools subsidize voucher students," Policy Note (Columbus, OH: The Buckeye Institute, November 1996). Students in religious schools are subsidized in two ways. First, there is generally a general subsidy from the church for operations. Second, many teachers may work for reduced wages because they see working in a religious school as part of their "mission" or "duty."

[33] The average family size was 3.19 for the City of Cleveland in 2000. Restricting the family to two-parent households would increase the estimate of the number of children, but reliable data on average family size of two-parent families was not available.

[34] Almost $470 million of the budget is state and federal aid. About $187 million is generated by the local property tax (including the tangible personal property tax). For more on this breakdown before and after the expansion of the voucher program, see Table 5.

[35] It is also the cost of increasing the voucher amount for those students who currently receive vouchers to the foundation amount.

[36] These expenses accrue primarily because of two assumptions underlying this analysis: 1) the value of the publicly funded voucher will increase to reflect actual private sector costs in the range of $5,000 per student, and 2) all students would be eligible for a voucher equivalent to the state foundation amount. The funding of this initial transfer cost is discussed in greater depth in a later section.

[37] The current base cost amount has increased at least at the rate of inflation over the past few years. This assumption probably pegs the voucher at an amount less than the state foundation level in year six.

[38] The difference between the $149.6 million cost in Table 6 and the $140.9 million cost in Table 5 is because under the phase-in the voucher amount in year 6 will be $5,250 instead of $4,949.

[39] The auxiliary services line item funds chartered non-public (private) schools for various purposes outlined in sections 3317.06 and 3317.064 of the Ohio Revised Code. This includes, but is not limited to, the purchase of secular textbooks and health services. The non-public administrative cost reimbursement line item compensates Ohio's private schools for mandated administrative and clerical costs incurred during the previous year.

[40] Ohio Legislative Service Commission, "FY 2002-2003 Appropriations Amounts" Spreadsheet. Available on-line at http://ww.lbo.state.oh.us/.

[41] Ohio Legislative Service Commission, FY 2002-2003 Budget, "Ohio Department of Education Analysis Documents." Available on-line at http://www.lbo.state.oh.us/.

[42] Derek Neal, "What Have We Learned about the Benefits of Private Schooling?" FRBNY Economic Policy Review (March 1998), 79-86.

[43] For a description of funded programs, see The Ohio Legislative Service Commission's Redbook, Department of Education Catalog of Budget Line Items, available at http://www.lbo.state.oh.us/124ga/budget/education/edu/EDUcobli.pdf.

[44] For more information on the details of the No Child Left Behind Act, see http://www.nochildleftbehind.gov/.

[45] Lynn A. Addington, Sally A. Ruddy, Amanda K. Miller, and Jill F. DeVoe, "Are America's Schools Safe? Students Speak Out: 1999 School Crime Supplement," (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, NCES 2002–331, November 2002), 88. Available on-line at http://nces.ed.gov/pubs2002/2002331_1.pdf.

[46] "Two new studies cast doubt on benefits of class-size reduction," Policy Note (Columbus, Ohio: The Buckeye Institute for Public Policy Solutions, May 1999), "Study finds school resources unrelated to student performance," Policy Note (The Buckeye Institute, November 1998), and "Private vouchers increase satisfaction, lower "black-white test score gap," Policy Note (Columbus, OH: The Buckeye Institute for Public Policy Solutions, April 2000).

[47] Waivers for certain ESEA programs may be obtained through direct application to the U.S. Secretary of Education. Although federal guidance regarding ESEA waivers has not yet been updated subject to the No Child Left Behind Act, archived waiver guidance and policy can be found at http://www.ed.gov/flexibility/#waivers.

[48] For more information on funding possibilities, please contact The Buckeye Institute.

Appendix 1: Complete Calculations for Other Major Ohio Cities

Akron

Table A1
Six-Year Phase-In of Voucher Expansion, Enrollment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	4,729	4,729	4,729	4,729	4,729	4,729
New Residents [2]	750	1,500	2,250	3,000	3,750	4,499
Total Voucher Enrollment	5,479	6,229	6,979	7,729	8,479	9,228

[1] Current private school enrollment in Akron.

[2] Estimated children from families moving into Akron due to voucher availability.

Table A2
Six-Year Phase-In of Voucher Expansion, Direct Outlays (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	$13.0	$15.4	$17.7	$20.1	$22.5	$24.8
New Residents [2]	$3.7	$7.4	$11.1	$14.8	$18.6	$23.6
Total Direct Outlays	$16.7	$22.8	$28.9	$34.9	$41.0	$48.4

[1] Private school enrollment from Table 5 multiplied by voucher amount for given year.

[2] New residents enrollment multiplied by $4,949 ($5,250 in year 6).

Table A3
Six-Year Phase-In of Voucher Expansion, True Costs (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Total Direct Outlays [1]	$16.7	$22.8	$28.9	$34.9	$41.0	$48.4
Auxillary Services [2]	$2.9	$3.3	$3.6	$4.0	$4.4	$4.8
Non Public Administrative Cost Reimbursement [3]	$1.3	$1.4	$1.6	$1.8	$1.9	$2.1
State Revenue No Longer Going To Suburban Districts [4]	$1.8	$3.6	$5.5	$7.3	$9.1	$10.9
New Dollars Needed	$10.8	$14.5	$18.2	$21.9	$25.6	$30.6

[1] From Table 6.

[2] Voucher enrollment (Table 5) times $522, estimated auxillary services per pupil, FY 2003.

[3] Voucher enrollment times $229, estimated nonpublic admin. cost reimbursement, FY 2003.

[4] Voucher enrollment times $2,427, Summit County (minus Akron) state revenue per pupil.

Cincinnati

Table A4
Six-Year Phase-In of Voucher Expansion, Enrollment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	17,053	17,053	17,053	17,053	17,053	17,053
New Residents [2]	1,522	3,044	4,566	6,088	7,610	9,132
Total Voucher Enrollment	18,575	20,097	21,619	23,141	24,663	26,185

[1] Current private school enrollment in Cincinnati.

[2] Estimated children from families moving into Cincinnati due to voucher availability.

Table A5
Six-Year Phase-In of Voucher Expansion, Direct Outlays (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	$46.9	$55.4	$63.9	$72.5	$81.0	$89.5
New Residents [2]	$7.5	$15.1	$22.6	$30.1	$37.7	$47.9
Total Direct Outlays	$54.4	$70.5	$86.5	$102.6	$118.7	$137.5

[1] Private school enrollment from Table 5 multiplied by voucher amount for given year.

[2] New residents enrollment multiplied by $4,949 ($5,250 in year 6).

Table A6
Six-Year Phase-In of Voucher Expansion, True Costs (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Total Direct Outlays [1]	$54.4	$70.5	$86.5	$102.6	$118.7	$137.5
Auxillary Services [2]	$9.7	$10.5	$11.3	$12.1	$12.9	$13.7
Non Public Administrative Cost Reimbursement [3]	$4.3	$4.6	$5.0	$5.3	$5.6	$6.0
State Revenue No Longer Going To Suburban Districts [4]	$4.0	$7.9	$11.9	$15.8	$19.8	$23.7
New Dollars Needed	$36.5	$47.5	$58.5	$69.4	$80.4	$94.1

[1] From Table 6.

[2] Voucher enrollment (Table 5) times $522, estimated auxillary services per pupil, FY 2003.

[3] Voucher enrollment times $229, estimated nonpublic admin. cost reimbursement, FY 2003.

[4] Voucher enrollment times $2,596, Hamilton County (minus Cincinnati) state revenue per pupil.

Columbus

Table A7
Six-Year Phase-In of Voucher Expansion, Enrollment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	11,188	11,188	11,188	11,188	11,188	11,188
New Residents [2]	403	805	1,208	1,611	2,013	2,416
Total Voucher Enrollment	11,591	11,993	12,396	12,799	13,201	13,604

[1] Current private school enrollment in Columbus.

[2] Estimated children from families moving to Columbus due to voucher availability.

Table A8
Six-Year Phase-In of Voucher Expansion, Direct Outlays (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	$30.8	$36.4	$42.0	$47.5	$53.1	$58.7
New Residents [2]	$2.0	$4.0	$6.0	$8.0	$10.0	$12.7
Total Direct Outlays	$32.8	$40.3	$47.9	$55.5	$63.1	$71.4

[1] Private school enrollment from Table 5 multiplied by voucher amount for given year.

[2] New residents enrollment multiplied by $4,949 ($5,250 in year 6).

Table A9
Six-Year Phase-In of Voucher Expansion, True Costs (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Total Direct Outlays [1]	$32.8	$40.3	$47.9	$55.5	$63.1	$71.4
Auxillary Services [2]	$6.1	$6.3	$6.5	$6.7	$6.9	$7.1
Non Public Administrative Cost Reimbursement [3]	$2.7	$2.7	$2.8	$2.9	$3.0	$3.1
State Revenue No Longer Going To Suburban Districts [4]	$1.0	$2.0	$3.0	$4.0	$5.1	$6.1
New Dollars Needed	$23.0	$29.3	$35.6	$41.9	$48.1	$55.1

[1] From Table 6.

[2] Voucher enrollment (Table 5) times $522, estimated auxillary services per pupil, FY 2003.

[3] Voucher enrollment times $229, estimated nonpublic admin. cost reimbursement, FY 2003.

[4] Voucher enrollment times $2,513, Franklin County (minus Columbus) state revenue per pupil.

Dayton

Table A10
Six-Year Phase-In of Voucher Expansion, Enrollment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	4,129	4,129	4,129	4,129	4,129	4,129
New Residents [2]	727	1,453	2,180	2,906	3,633	4,359
Total Voucher Enrollment	4,856	5,582	6,309	7,035	7,762	8,488

[1] Current private school enrollment in Dayton.

[2] Estimated children from families moving to Dayton due to voucher availability.

Table A11
Six-Year Phase-In of Voucher Expansion, Direct Outlays (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	$11.4	$13.4	$15.5	$17.5	$19.6	$21.7
New Residents [2]	S3.6	$7.2	$10.8	$14.4	$18.0	$22.9
Total Direct Outlays	$15.0	$20.6	$26.3	$31.9	$37.6	$44.6

[1] Private school enrollment from Table 5 multiplied by voucher amount for given year.

[2] New residents enrollment multiplied by $4,949 ($5,250 in year 6).

Table A12
Six-Year Phase-In of Voucher Expansion, True Costs (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Total Direct Outlays [1]	$15.0	$20.6	$26.3	$31.9	$37.6	$44.6
Auxillary Services [2]	$2.5	$2.9	$3.3	$3.7	$4.1	$4.4
Non Public Administrative Cost Reimbursement [3]	$1.1	$1.3	$1.4	$1.6	$1.8	$1.9
State Revenue No Longer Going To Suburban Districts [4]	$2.2	$4.4	$6.6	$8.7	$10.9	$13.1
New Dollars Needed	$9.1	$12.0	$15.0	$17.9	$20.8	$25.1

[1] From Table 6.

[2] Voucher enrollment (Table 5) times $522, estimated auxillary services per pupil, FY 2003.

[3] Voucher enrollment times $229, estimated nonpublic admin. cost reimbursement, FY 2003.

[4] Voucher enrollment times $3,011, Montgomery County (minus Dayton) state revenue per pupil.

Toledo

Table A13
Six-Year Phase-In of Voucher Expansion, Enrollment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	8,916	8,916	8,916	8,916	8,916	8,916
New Residents [2]	507	1,014	1,521	2,027	2,534	3,041
Total Voucher Enrollment	9,423	9,930	10,437	10,943	11,450	11,957

[1] Current private school enrollment in Toledo.

[2] Estimated children from families moving to Toledo due to voucher availability.

Table A14
Six-Year Phase-In of Voucher Expansion, Direct Outlays (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Voucher Amount	$2,750	$3,250	$3,750	$4,250	$4,750	$5,250
Private Schools [1]	$24.5	$29.0	$33.4	$37.9	$42.4	$46.8
New Residents [2]	$2.5	$5.0	$7.5	$10.0	$12.5	$16.0
Total Direct Outlays	$27.0	$34.0	$41.0	$47.9	$54.9	$62.8

[1] Private school enrollment from Table 5 multiplied by voucher amount for given year.

[2] New residents enrollment multiplied by $4,949 ($5,250 in year 6).

Table A15
Six-Year Phase-In of Voucher Expansion, True Costs (in millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Total Direct Outlays [1]	$27.0	$34.0	$41.0	$47.9	$54.9	$62.8
Auxillary Services [2]	$4.9	$5.2	$5.4	$5.7	$6.0	$6.2
Non Public Administrative Cost Reimbursement [3]	$2.2	$2.3	$2.4	$2.5	$2.6	$2.7
State Revenue No Longer Going To Suburban Districts [4]	$1.1	$2.3	$3.4	$4.6	$5.7	$6.9
New Dollars Needed	$18.8	$24.2	$29.7	$35.1	$40.5	$46.9

[1] From Table 6.

[2] Voucher enrollment (Table 5) times $522, estimated auxillary services per pupil, FY 2003.

[3] Voucher enrollment times $229, estimated nonpublic admin. cost reimbursement, FY 2003.

[4] Voucher enrollment times $2,268, Lucas County (minus Toledo) state revenue per pupil.

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